THE

PHILOSOPHY OF ECONOMY

IN DEFENSE

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THE PHILOSOPHY OF ECONOMY IN DEFENSE

by

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for

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PREFACE

The basic intent of this paper is to outline information which might be utilized to provoke mature thinking on the part of the younger officers concerning the practice of economy in the services. Time has limited me to only partial coverage of this broad subject. It should not be surprising, therefore, that some of the thoughts contained in these pages may seem somewhat sketchy or that more extensive examples are not included. Critics may find certain statements insufficiently supported or implying contradictory concepts. Expansion of this paper to adequately explain such statements might at least double the time, verbiage, and redundancy employed to tell the story thus far. However, it is hoped that such material as is presented will demonstrate the tenor of the effort advocated and the spirit in which it is offered.

It is fully realized that many of the premises herein stated are oversimplified and that factors bearing on the economy problem are as complex as the natures of the people involved; however, the majority of military officers are probably not exposed to sufficient information to provide them with a full comprehension of their respective parts in our efforts. With this in mind, the subject matter is presented in a language which should be generally intelligible to the officer corps of the service.

W. J. M.

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CHAPTER I

PREMISES

The role of the United States as world power and its assumption of leadership in the affairs of the free world has brought about heavy demands on the resources of this country in the forms of men, money, and materials. In the face of the aggressive pressures exerted by the Soviet bloc of nations, our national leaders have determined that large standing military forces are necessary to the backing and implementation of our efforts to maintain peace and to better the lives and goals of the world's free peoples. Since there are certain limitations on the extent of resources available to accomplish these aims, a high degree of economy in the utilization of these resources is mandatory if we are to stretch them to cover our commitments. Our part in the military services is to create the greatest possible concentration of force, or firepower, out of such resources as are allowed to us, which may be applied at points deemed appropriate by our national leadership. It has been observed that the great majority of personnel in the Navy have only a small conception of the reasons behind economy requirements and of their moral obligations in actively assisting the effort toward economy; there is at best an extremely vague understanding of the relationship between the common denominator of military resources, the tax dollar, and the end naval product, concentrated firepower. It is intended in this paper to provide

a somewhat simplified explanation of the forces and ideas behind the necessity for economy. The philosophy set forth herein might well be used as a basis for the indoctrination of lower echelon personnel in the supporting cooperation required of them to create the maximum concentration of power within resource limitations set upon us. It is further intended to show how proper comptrollership attitudes can aid and implement such indoctrination.

Everyone knows that his taxes are more than he would like to pay. Most people are equally conscious of the fact that the money to run a government and to maintain naval forces must come from taxes collected from the populace and various business enterprises. But two questions are often posed by the layman: "What is the proper proportion of taxes and government services?" and "How can we alter things to get more services out of less taxes?" It is intended to delve into these matters in subsequent chapters.

The question of availability of resources is one which is familiar to many people in wartime, but which is only vaguely encountered in other times. It is intended to show that resources in peacetime are highly important in our economic pattern, though the emphasis in degree and category may not be the same as in total war. A major portion of the subsequent matter will deal with the conservation and utilization of resources.

Much has been made of the fact that there is no "profit motive" in the military services which would provide the incentive

toward economical employment of resources. This contention is only partially valid. Many businesses are conducted in such manner that no material profit accrues to its employees. Yet morale may be high and the business may expand. The "profit" in the conduct of military services may be considered to be economies effected in the use of resources - economies which may be converted to a greater number of ships, military divisions, or air squadrons which in turn would augment the concentration of firepower. On the other hand, it may be regarded as economies which result in reduced taxes or in the allocation of unneeded military funds to other purposes such as building of schools or roads. Either way, at least a part of our "profit motive" is in providing ourselves with something we do not have by reducing unnecessary or "unprofitable" elements of military efforts. It is applicable in both wartime and times of peace.

It is realized that the effort toward economy runs counter to many of our natural ambitions and frailties. It is no bonanza for the empire-builders. It counteracts the efforts of individuals who would favor large staffs to do some of the thinking and work that they should do themselves, or those who would build a sort of Utopian service where effort would be at a minimum and "fringe benefits" at their maximum. There are more than a few of these types employed by the services now. Rather it places an obligation on everyone to put forth reasonable energies which in the end will produce material benefits in more useful forms than presently exist.

CHAPTER II

THE SCOPE OF MILITARY EFFORT

The serious question of how great our national military effort should be is one which probes the highest offices and councils of the nation for an answer. The National Security Council and The Joint Chiefs of Staff are both charged with responsibilities which ultimately amount to determination of the scope of this effort. The process is never simple. It is much more than a matter of estimating the world political and military situation and then fixing a budget ceiling which will give us reasonable protection. The proportions of military effort not only take into account the effect of a large military machine on the total economy; they go back to the morality and necessity of making war itself.

As means which appear to foreshadow the doom of civilization, such as the hydrogen bomb, are developed, we must ponder the actual elimination of war. On the other hand, this should not be considered as renunciation of military preparedness:

> In the past, when this danger-point in the history of the relations between War and Civilization has been reached and recognized, serious efforts have sometimes been made to get rid of War in time to save society, and these endeavours have been apt to take one or other of two alternative directions. . . . A personal refusal to lend himself in any way to any war waged by his State for any purpose and in any circumstances is a line of attack against the institution of War that is likely to appeal to an ardent and self-sacrificing nature; by comparison, the alternative peace strategy of seeking to persuade and accustom Governments to combine in jointly resisting aggression when it comes and in trying to remove its stimuli beforehand may seem a circuitous and unheroic line of attack on the problem.

> Yet experience up to date indicates unmistakably, in the present writer's opinion, that the second of these two hard roads is by far the more promising.[1]

The concept of joining to resist aggression has been utilized in past history, but never to the extent now evident. It is presently exemplified in the United Nations, North Atlantic Treaty Organization, and various mutual support pacts among nations of the free world. Through such instruments the size of our own military effort is tempered by inducing other nations to build forces which, in combination with ours, will cause the provocation of war by an aggressor to appear catastrophic. At the same time military efforts can be held within limits which will provide a good climate for improvement of the welfare of all peoples concerned.

Should anyone desire to go deeper into causes, he may wonder at reasons for his existence or the reasons for and the effects of war. Such a discussion, while illuminating, is beyond the scope of this paper. Suffice it to say, however, that a search through various readings of history and philosophy should temper anyone's balance of perspective between a policy of force and of reaching humanity's goals by other methods. Religious teachings and the dissertations of philosophers tend to mellow thinking along these lines. Dr. Vannevar Bush has written some

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[1] Arnold Toynbee, War and Civilization, ed. Albert V. Fowler (New York: Oxford University Press, 1950), ix.

searching passages in his Modern Arms and Free Men[2] concerning the development of life and its fight for survival. Approaching from another direction, Arnold Toynbee has

> . . . indeed subscribed to the conclusion--no new discovery!--that War has proved to have been the proximate cause of the breakdown of every civilization which is known for certain to have broken down, in so far as it has been possible to analyze the nature of these breakdowns and to account for their occurrence.[3]

Intensive reference to such literature might indeed tend to bring us to pacifistic or isolationist thinking were it not for the history of nations which have allowed themselves the luxury of such thinking. On the other hand, too narrow a view toward the announced aims of Communism and resultant submission to fear complexes might have the danger of creating a hypermilitaristic economy, and this internal danger would be at least as great as the menace from outside. The size of our forces, therefore, must be a synthesis of all of these concepts. It must take into account the abstract considerations as well as the cold hard facts of available resources. It must be reasonably palatable to the people and based on sufficiently obvious reasoning to elicit their support. As a tradition the United States, of course, does not use aggressive warfare as an instrument of policy, and preventive war holds favor in relatively few circles. In practice, therefore, our scope of preparedness must assume such proportions that we provide some reasonable defense while at the same time

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[2]Vannevar Bush, Modern Arms and Free Men (New York: Simon and Schuster, 1949), XIII, 171-192.

[3]Toynbee, op. cit., vii.

tailoring our force for rapid expansion and for rapid assumption of the offensive in case of attack. Instead of building vast reserve stocks of equipment which may deplete resources and never be used, our mobilization capability must rely on the continuing expansible productive capacity of industry together with relatively small reserve stocks needed during the early stages of mobilization. Manpower requirements must be met by a moderate force in being coupled with a vigorous and readily callable reserve program. Within these limitations, emphasis on various defense activities is indicated best by President Eisenhower:

> First, a realistic limitation of armaments and enduring, just peace remain our national goals; we maintain powerful military forces because there is no present alternative - forces designed for deterrent and defensive purposes alone, but able instantly to strike back with destructive power in response to an attack.
>
> Second, we must stay alert to the fact that undue reliance on one weapon or preparation for only one kind of warfare simply invites an enemy to resort to another. We must, therefore, keep in our armed forces balance and flexibility adequate for our purposes and objectives.
>
> Third, to keep our armed forces abreast of the advances of science, our military planning must be flexible enough to utilize the new weapons and techniques which flow ever more speedily from our research and development programs. . . .
>
> Fourth, pending a world agreement on armament limitations, we must continue to improve and expand our supplies of nuclear weapons for our land, naval and air forces while, at the same time, continuing our encouraging progress in the peaceful use of atomic power.
>
> And fifth, in the administration of these costly programs, we must demand the utmost in efficiency and ingenuity. We must assure our people not only of adequate protection but

> also of a defense that can be carried forward from year to year until the threat of aggression has disappeared.[4]

All of these considerations imply a buildup of some segments of defense at the expense of others, and they necessitate a maximum development of fighting potential within the limitations of resources allowed for our employment.

This, then, is the scope of our military effort. It derives from a reasoned balance among the philosophies expressed above and the hard facts pertaining to our existence.

In summation, the military is but one phase of a national endeavor which not only provides our daily necessities but which attempts to assure these things:

1. The greatest freedom to individuals to pursue their chosen ways of life.

2. The growth of our economy and the welfare of our people.

3. The assistance of foreign peoples to advance and defend themselves.

4. The necessary governmental controls for the common good.

5. National security forces, which in combination with those of other nations, will deter aggression or avert war without bringing us to our economic knees.

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[4]President Dwight D. Eisenhower, Report on the State of the Union, presented in his message to Congress on January 6, 1955 (Washington, D. C.: Washington Post and Times Herald, January 7, 1955), 16.

CHAPTER III

THE ECONOMICS OF MILITARY RESOURCES

The United States has emerged from World War II both as a leader in world affairs and a protector of its freedoms. Extensive resources have been marshalled to accomplish our inherited responsibilities and goals. The resources at our command constitute a considerable supply and a great proportion of the world's total; yet there exist scarcities when viewed from specific angles. If the scarcities are understood and acted upon appropriately, the common good may result. If they are not understood by those of all echelons who employ resources, we will almost surely continue to hoard and waste resources which might be more profitably employed in other fashions. One of the most important things for military personnel to understand is that the building of the nation's potential requires the allocation of vital resources to many other activities besides military installations and hard goods, and besides soldiers, airmen and sailors. Unfortunately, this concept appears not to permeate the services far enough. That the military man (and the civil servant) is zealous in providing himself with the resources to accomplish his assigned duties is commendable; that he too seldom strikes a rational balance in his requirements is not. Whether ignorance, self-aggrandizement, or negligence causes wastage of resources, a program for educating personnel in basic aims and policies, in limitations on availability of resources, and on efficient employment of resources might have salutary effects. To this end it is

appropriate to discuss military resources in relation to the total economy of the nation.

Economic resources are employed in several ways in this country, which, while not directly a function of a military department, still contribute to the military potential of the nation. The more obvious activities are foreign aid, MDAP, atomic energy, and economic mobilization; more subtle contributions are through health and education programs, roadbuilding and other subsidization of transportation, agricultural programs, and propaganda efforts. Military personnel usually do not think of these things as military, and indeed they probably should not. Rather they should consider their own military activities as an extension of the whole civilian effort. There is an urgent need for military officers to become better acquainted with and to work more closely with the civilian component of our society. There is adequate consciousness of the fact that civilian production and invention are important items in the military process, but it appears that few military men below senior ranks realize the extent to which the success of military activities is dependent on civilians and on efficient allocation of scarce resources to various other facets of the nation's endeavor. Though the importance of military forces should not be slighted, we must emphasize the breadth of the effort which becomes our national security. A strong presentation of the relative place of our military in the

picture is made by Hanson Baldwin:

> Victory in modern war is no longer won by the big battalions but by the big factories, backed by the big laboratories and the busy scientists. This has been increasingly true since the industrial revolution; Forrest's "to git thar fust with the most" now must be paraphrased to "git thar fust with the greatest fire power."[1]

> Modern war is "total" far beyond the imagination of even those who coined the phrase; it enlists the whole effort of the nation and directs the flowing stream of history. . . . Total war means total effort, and the peacetime preparations for it must be as comprehensive, at least in outline form, as the execution of it. Consequently the effects of total war transcend the period of hostilities; they wrench and distort and twist the body politic and the body economic not only after a war (as we are now seeing) but prior to war. . .[2]

Although we may not all agree with the strength of this argument, we should still understand that preparedness is not the business of the few military, but of the many, including industry. Consequently, our resources must be divided in accordance with our intended scope of military activity.[3]

Military resources, in a broad sense, include personnel, materials, and funds. Since the price of each of these resources is convertible to monetary units, there is a natural tendency for the uninformed to assume that our difficulties can be overcome by the simple expedient of obtaining more appropriated (or allotted) funds. Insufficient thought is given by such persons

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[1]Hanson W. Baldwin, The Price of Power (New York and London: Harper & Brothers, 1948), 14. Mr. Baldwin is a military critic for the New York Times. At the time he wrote this book, the author was chairman of a study group on "National Power and Foreign Policy" constituted by the Council on Foreign Relations for whom The Price of Power is published.

[2]Ibid., 18.

[3]See Chapter II.

to limitations and relationships encountered in the employment of military resources. Since requirements for men, money, and materials are usually generated by field interpretation of headquarters plans, and since formulation of requirements is most frequently on an historical basis, the demands of fleet or field units are not infrequently highly inflated by the time they become converted to budget dollars. A padded or "just-in-case" addition to a reasonable requirement may result in multiple increases in supporting requirements. Not only does this bring about wastage of resources, but it incurs the distrust of Congress and public if discovered. Requirements, therefore, must reflect actual needs, but must include a minimum of contingencies and unproductive conveniences.

Observation indicates that the use of military resources might be improved by a program of education for personnel serving in units or junior staff capacities. Officers and officials in high positions often become highly insulated from the mechanics of an operating fleet and shore establishment and, while they are undoubtedly in a position to see a wide view of the Navy's needs, they are often elaborately screened by subordinates from finding wasted motion or inadequacies in their organizations. Such an inadequacy is the great lack of understanding on the part of unit officers and men concerning the limitations involved in the employment of personnel and materials. That there isn't enough money is usually well understood; that one of the reasons behind

this scarcity is a cumulative failure to achieve the best utilization of men and materials is not generally comprehended. By understanding even to a partial extent the scope of our problems, junior personnel may achieve collectively a very significant savings in their usage and requirements of men and materials. It is probable that in any educational program of the sort anticipated treatment of the subject can be only in general terms and no phase can be covered sufficiently to tell a complete story. However, enough information should be disseminated to get across the point that (1) fulfillment of military requirements represents a tremendous number of economic, political and social compromises, and (2) that field personnel themselves hold an important key to providing more and better combat units within limitations of the resources available. In addition, it should be pointed out that wartime conditions would impose even greater obligations for conserving resources; times of peace, therefore, should be utilized in part in seeking methods for accomplishing such conservation.

There are other considerations of economy and efficiency which belong to a study of resource utilization, some of which are organizational or which relate to differences between conditions of peace and war or between forward area and rear area employment:

> . . . the possibility of increasing efficiency within the military departments depends very largely upon the possibility of changing the systems within these departments. Most such

> changes are systematic, not piecemeal; and most are gradual over several years, not rapid and sudden. It is probable that the most promising principle to govern any such changes is that of authority and responsibility. In the military, this principle, though widely preached, is also widely defective in that the authority and responsibility for the use of resources, whether monetary or expressed in other terms, is not coequal with that for accomplishments. The budget system is relevant to this problem, but is only part of it. The budget can provide the mechanics whereby achievement and cost are systematically related at every echelon. But the usefulness of such measures depends upon motivations and incentives, themselves intimately related to organizational patterns and to the system of personnel administration. Ultimately, the hope of greater efficiency in the military departments hinges upon the adaptation to this frame of reference of the career personnel system.[4]

The attitude of most people is perhaps to accomplish what they believe to be a reasonably good job within the instructions issued to them. A smaller group believes in getting by on as little work as possible. In either case, there is a great tendency to feather own nests or to put individual desires ahead of the team effort. Economy requires a team effort to make it effective. It requires capable leadership by military commanders who are chosen in a higher degree of selectivity in lower echelons than now exists. The present "career-planning" practice of attempting to spread each leadership billet among as many persons as possible tends to engender mediocrity. If a man has a moderately decent record, his turn will come. He need not put forth extra efforts or be highly competitive in his outlook; the desirable job will probably be given to him. The outstanding man in turn realizes that he has

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[4]Frederick C. Mosher, Program Budgeting: Theory and Practice (New York: American Book-Stratford Press, Inc., 1954), 235-236.

not achieved any great success when he attains a desirable spot and his incentive is blunted. Many of these persons begin to look toward other fields where personal satisfactions may be more highly whetted and achievements seem more worthy of attainment. It is the latter type of man we need to retain to lead the less ambitious and thoughtful in getting the most out of our resources.

In any treatment of economics of military resources, however, we should not leave the impression that standards are the same in all places. Under combat conditions many actions and requirements which would not be efficient in rear areas would be quite acceptable or even mandatory:

> . . . economy and efficiency are relative terms. They are relative to the purposes of organizations, to the environment within which such organizations operate, and to the time at which they are operating. It is obvious that the American people would not have tolerated the same standards of "economy" for the equipment and supply of our soldiers in Korea as those employed by the Chinese. Likewise we cannot apply in the Army as a whole, for example, the same standards as might be used by a private business engaged in making money for stockholders. Nor would America tolerate the same standards in peace as in war. The standards applicable to different elements of the Army at the same time are different: we would not expect, for example, that guns and ammunition on a hill-top in Korea be "conserved" in the same way as on a target range at Fort Dix, nor that, under either of these situations, they be considered in the same way as they are at an arsenal. We are willing that many thousands of additional dollars be invested in every airplane to provide the individual pilot a perhaps very slight advantage over his potential adversaries.[5]

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[5] Ibid., 236

Our subject is exceedingly broad. Even in succeeding chapters it is only partially covered. However, these chapters on materials, manpower, and money will at least form a pattern of thinking by which we may approach a better distribution and economy of resources.

CHAPTER IV

MATERIALS AND CAPITAL EQUIPMENT

Of the three basic forms of military resources, materials (including capital equipment) are probably the least critical in times of peace. Their availability is usually determined not so much by physical limitations, but by limitations on funds available. In wartime the allocation of materials and replacement of capital equipment is accomplished on a basis of most important needs first. Either way, it is encumbent on military personnel to conserve materials which are not obtainable in the quantities we desire. Where do we look for important changes in consumption of material resources? Many specific areas come to mind, but it appears that they can generally be classified in the following groups:

(1) Basis for requirements

(2) Overspecification

(3) Upkeep, utilization and replacement.

One of the most important fields for conservation of materials is in realistic requirements. This field also encompasses the factors which follow it in the above list. Overspecification, the manner of upkeep, and replacement needs may have nearly as strong effect on material requirements as the basic material or capital equipment requirement itself. Formulation of requirements must, of course, meet the needs of the end use to

which the materials are put. An item which does not serve the purpose for which it was produced may be a partially or wholly wasted venture and, therefore, a wasted resource. On the other hand, a certain amount of material must be on hand for combat contingencies even though it may not be used. Combat requirements are based on a different scale of economy than are requirements for supporting elements; indeed economy should not be a primary consideration where life is at stake. But even here the hard facts of material scarcity may require attention to economic integration of all needs to provide for the best security.[1]

Conservation of resources is influenced first by basic concepts and planning. In the past few years, for instance, the Navy has encountered a limit to the amount it can load upon its ships without specializing in ship types, and they have begun to build or convert destroyers and submarines for special purposes. Although most officers feel that a fighting unit should be as versatile as possible, practical considerations have brought limitations on versatility; as a result we must temper our requirements and defer to specialization to the extent necessary. In the Navy's air arm there has been a basic requirement for some years for a general purpose fighter type aircraft which could do all things (air support, reconnaissance, air-to-air combat) moderately well. Such an aircraft is entirely realistic

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[1]Eugene S. Duffield, "Organizing for Defense," Harvard Business Review, (September-October, 1953), 30.

and reasonable if we have sufficient power advantage in our engines to give us the performance commensurate with all of these missions. It is not realistic and reasonable if the aircraft cannot be fitted with the power to engage the enemy in the air on a comparable basis. It must then be necessary to specialize our types of aircraft within the limitations of power we have thus far been able to develop. A recent general purpose aircraft built under such requirements can do air support only fairly; being a jet type, it uses a great deal of fuel at low altitude, hence cannot remain long on station to provide support, and it sacrifices bomb load for fuel and air-to-air gunnery equipment. As a fighter aircraft, it sacrifices performance due to external bomb appendages and the internal structure necessary to support and lift bombs. The aircraft loses about fifteen percent of its performance - range, climb performance, top speed, and stability - due to the appendages alone. As a result, the aircraft is only moderately good as an air support type and of comparatively little value as a fighter since it cannot approach the fighting capabilities of our possible counterparts. In addition, the aircraft carries so much safety equipment that, while the pilot is relatively secure in his craft, his performance due to additional weight (without the necessary power advantage) reduces to a very limited fighting capability. The argument is more complicated than stated above, but it illustrates how excessive requirements

can result in questionable employment of resources. While it could be argued that the above mentioned aircraft would make a good trainer, we were still not provided at that time with the fighter aircraft we needed to defend our fleets. Of course, specialization must be approached with caution to minimize space, manpower and logistic requirements. Perhaps the requisites of interception and air-to-air maneuvers are the only ones which would justify specialization in this aircraft example. In any event, the moral of the story is apparent. Requirements for basic materials must be based on good adequate planning and on logical, reasonable assumptions.

Buying in excess of requirements is justifiable for combat needs, but it should be held to proportions which will not deprive other fighting forces of reasonable reserve stocks. Excesses in supporting fields cannot be justified on the same basis, particularly in our large administrative effort. Stock funds are doing much to curtail excessive buying,[2] but even here there may be requirements and usage which stem more from convenience than need. The Navy is presently faced with a huge inventory problem involving excess stocks of little used or obsolete equipment which require vast efforts in time and manpower for accountability. The problem is being tackled by a new concept of supply control and the inventory position is improving. However, the very existence of such a situation is evidence of past

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[2] Financial Management in the Department of Defense (Draft) (Washington, D. C.: Department of Defense, November, 1954), 65.

errors in estimating requirements; while a refined control system will ultimately improve estimates, there still remains a necessity for initiators of requirements to use the best of judgment and thorough planning if we are to conserve resources.

One of the great sins of bureaucracy is the minute detail with which instructions are prepared - either to cover all avenues of escape or to counteract for the abdication of responsibility by subordinates. Such detail is also characteristic of many of our procurement specifications. Overspecification of requirements can be one of the costliest items in procurement.[3] It is far from infrequent that a standardized commercial item would fit our needs as well as an item for which we prescribe elaborate special requirements. Such requirements not only result in very high unit costs but often use resources unnecessarily. In many cases we demand a luxury which we do not need or cannot afford.[4] In any case, such requirements create great suspicion in the minds of Congress, industry, and the public concerning our estimates of real need. In addition, they drive up prices and deprive us of funds to buy materials which might contribute more to firepower.

Considerable effort is directed toward proper methods of storage, maintenance, and utilization of materials, but the large amount of correspondence circulating throughout our forces concerning these subjects is mute evidence that responsible officers

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[3]Paul H. Douglas, Economy in the National Government (Chicago: The University of Chicago Press, 1952), 173-174.

[4]Ibid., 174-175.

frequently make insufficient effort toward conservation of materials.[5] As a result, replacement requirements are inflated. In individual cases, the amounts may be small, but the aggregate is probably a considerable sum. Not only do wasteful upkeep practices bring about higher monetary requirements for replacements but the usage rate for certain materials may be diametrically opposed to the ability of industry to provide adequate replacements, especially during wartime.

The point to be stressed is that no matter from what origin military requirements are derived, it is imperative that we examine them critically before converting them to materials and personnel. Requirements based on wasteful considerations in peacetime will, lacking enlightened reasoning, result in intolerable scarcities of needed materials during war. A component must be producible in the quantity required with a simplicity which does not bring about unsatisfactory weight, space, or personnel considerations for its employment; requirements for operating materials must be consonant with storage and transportation which can be provided or with the tools which can produce them. In times of war the military effort runs headlong into competition for materials with the necessity for machine tools, rail cars, merchant shipping and the many other articles required to make and move the tools of war. To the average military officer these considerations are beyond his present comprehension. If we are

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[5] Ibid., 150-152.

to make the most of our resources, he must be enlightened to see at least a part of the field outside his present narrow vision.

CHAPTER V

MANPOWER

Among most officers of the naval service, it would probably be a unique idea to consider military or civil service manpower as a military or an economic resource. If we had a small completely voluntary peacetime force, such a concept might not be necessary. However, the large size of our military force, combined with that reluctant attitude of the American people which repels them from military service, brings about a natural competition with civilian labor and professional forces which, in fact, does make manpower an elementary and scarce resource. When it is considered that the pay of military and civilian personnel makes up approximately half the present expense of the Navy, conservation of personnel becomes a primary concern in reduction of military costs. If we consider the quality of personnel as well as the quantity, certain categories of manpower may overshadow all other resources in importance. That the strength of military and civilian forces has tended to be insufficiently controlled is attested by Congressional ceilings on both.[1] That some of our manpower may not be utilized to attain the primary purpose of our service is indicated by the extremely high ratio of support personnel to personnel in actual combat units. In any case, we seem sure that there are never enough personnel to go around and

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[1] There are indications that Congress may lift its ceiling controls when Department of Defense financial controls reach the point where they effectively perform the same function.

that we have the best of justifications for maintaining our strength in its present proportions. But is this always true? In what ways are we wasting personnel or obtaining less productivity than we should reasonably expect? Why do we need to be concerned with competition with the civilian labor and professional forces? For the answers to these and allied questions manpower resources will be discussed under two headings: (1) Scarcity, and (2) Costs.

(1) Scarcity of Manpower. The scarcity of manpower may be viewed from various angles. Shortages may be relative - not enough personnel to provide the desired convenience, not enough to do the job well or not enough just to do the job. They may involve the abilities of men - not enough competent people or dependable people. Scarcity may involve the attractions of the service for those who are eligible to join it. From most any angle, the Navy apparently suffers from scarcity of manpower. Investigation of the causes for deficiencies shows that some of them are internally bred and some are not directly under our control. It is the internal group of causes in which we should be most interested, for if we can correct them, automatically we may rectify many of the external difficulties.

Our national policy now appears to be slanted toward a moderate defensive force coupled with a force capable of atomic retaliation in case of attack. Such a force apparently requires

in the neighborhood of three million military and one million civil service personnel over a long period of time. Although some conditions which form the basis of large wars do not presently exist, this force is designed to deter large-scale aggressive tendencies and to contain sporadic localized hostilities if they should break out. Along with such an armed force in being, it appears that we will maintain a considerable program of foreign and military aid to our allies. Superimposing these programs on our normal civilian economy is likely to produce budget deficits in many of the years to follow if tax receipts are not large enough to balance the budget. (Budget surpluses are unlikely because of great pressures to reduce taxes.) As a result, it is probable that slightly inflationary conditions, considerable defense production, and nearly full employment will continue over several years. In terms of manpower this means continued keen competition between civilian and military activities for personnel services.[2] It means continued necessity for the draft and for acceptance of many personnel with low intelligence or educational standards. It means continued high turnover of young officer and enlisted personnel unless the working conditions and compensation are improved enough to compete with civilian opportunities. It probably also means that, if no combat conditions arise over a long period of time, there will be an unintentional but natural

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[2]Robert C. Goodwin, "Manpower Problems in Defense Production", The Annals of the American Academy of Political and Social Science (November 1951) 140-141.

slackening of emphasis on operational duties and an increase in administrative or bureaucratic order and precision. All these factors are highly expensive and result in loss firepower for the tax dollar than should be possible if military manpower conditions were more desirable.

Were we to be engaged in another large war, it is entirely probable that we would face a manpower mobilization even greater than in World War II, and many plans for such mobilization have already been formulated. Acting simultaneously as a world arsenal and in a world-wide military effort, the ability of our population to fill the manpower requirements would be put to a test that might amount to a struggle for survival.[3]

Whether in conditions of war or cold war, we therefore have an obligation to use as few men as efficiently as possible to do each required job. We hope that the American public and other activities of the government are facing the problem realistically. In our own service we can set the pattern. Manpower needs must be built realistically with attention directed to the ultimate mission of the Navy. Since supply does not meet demand, conservation measures must be exercised. In what manner can the Navy proceed to improve upon its manpower requirements? Although the ideal would never be reached, our efforts ought to begin from

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[3]Edward A. Fitzpatrick, "Manpower and Atomic War," The Annals of the American Academy of Political and Social Science (November 1951), 126-136.

the doctrine implied by answering the question, "What and how much does my effort contribute toward an effective fighting force at the point of pressure or engagement?" From there we can proceed to the mechanical processes of conservation of manpower.

(2) Manpower Utilization and Costs. Compensation for military and civil service manpower constitutes in the neighborhood of one-half our present Navy budget. In times of war the percentage drops in relation to procurement, but the cost of manpower is still highly significant. Efficient utilization, therefore, is of primary importance on a cost basis as well as a conservation basis.

It has already been intimated that the fundamental conditions for efficient utilization of manpower and materials are a stable force with good leadership attracted by adequate compensation, good working conditions, and reasonable advancement prospects. To be sure, these are everyday goals even now. But it is herein submitted that changes in the interpretation and implementation of these goals may achieve better manpower utilization and reduce the pinch of scarcity.

It has been stated in various places that young officers and men are leaving the service for reasons such as the following:

(1) Too much time away from families.

(2) Insufficient compensation.

(3) To take advantage of veterans' educational benefits.

(4) Availability of civilian employment (at good wages and comparatively permanent location).

(5) Other more isolated reasons.[4]

Close investigation, however, reveals that many personnel have two other important reasons which they feel privately but hesitate to speak openly:

(6) Respect for their military leadership which is limited to that required by law and regulation.[5]

(7) Reluctance to participate in a military endeavor which may bring them into Korean-type wars while their brothers at home continue a normal existence.

It is likely that our high turnover is due in any one case to a combination of these reasons. Of course, the seventh reason above was a matter of national policy and not within the Navy's

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[4]As a corollary it should be noted that few people have given as their reason for leaving any of the following: too much work; too long hours; insufficient opportunity for advancement; or overly rigid behavior or disciplinary requirements. It might even be pointed out that in some places there was <u>not enough</u> work. Many men leaving the service have considered that their own or some of their contemporaries' efforts were unneeded by the service because they were not kept busy. This contributes to difficulties encountered in justifying large defense expenditures to the public.

[5]This is based on certain limited observations of the writer during fiscal year 1954 when turnover was high. Anonymous separation questionnaires, interviews, and informal exchanges of information between units were used in an attempt to find primary causes and remedies for the low re-enlistment rate. Respect for command and divisional leadership was given as a contributory cause in a surprising number of instances. Where leadership was obviously excellent, re-enlistment tendencies, willingness to follow, and efficiency all appeared better than contemporary units not boasting this advantage.

control. The first three are presently subjects of much thought and proposed legislation. The fourth is in large part due to the magnitude of military services themselves; reduction of military personnel might create an easier civilian labor market thus inducing some individuals to remain in the service. But in the field of leadership, while it is the subject of much attention, results have not been what is required to stimulate optimum efficiency.

Outstanding leadership is one of the most vital cornerstones of a successful and efficient enterprise. That able leaders can accomplish more with a minimum of resources is almost axiomatic. Yet we operate under an officer personnel act and a career rotation plan which seem to doom much of our leadership to mediocrity. Two changes in emphasis are needed. The first is to take greater advantage of the provision in the Officer Personnel Act of 1947 which allows up to five percent of selectees for promotion to come from below the promotion zone on a basis of merit; perhaps the percentage should even be increased. The second is to provide higher selectivity for our command and executive billets which would allow fewer but abler officers to remain longer in such posts, thus creating better guidance and greater stability. Both of these measures would provide an incentive to outstanding achievement which does not

now exist except in upper echelons.[6] They would create greater respect for the service and its leaders both inside and outside the Navy. It seems probable that it would attract a following of more men of greater ability and drive than a system which seeks --not the best-- but merely the "very good" performance of duty. It has been learned in many civilian enterprises that a man will very frequently forego added compensation and certain privileges or conveniences if he is stimulated by respect for highly competent leadership, belief in the need for his efforts, and pride in his organization. Should we apply this lesson, it is believed that we could achieve very significant economies in training of replacements and in the efficient operation of the Navy's activities. But to apply it we need to alter our concept that every officer in a given grade has nearly equal leadership and executive abilities. To those who say that morale would suffer because not everyone would have equal opportunities, it might be pointed out that the opportunity is available; the men who prove themselves more capable than others should receive more consideration and are the persons we want in the key positions.

Leadership is the basis on which we build. But to assure its presence, able leaders must be compensated sufficiently to compete with the relative lack of disruption of personal life

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[6] A highly regarded commander in the Navy recently made this statement: "It's not hard to be outstanding; there's no competition."

and the future prospects of civilian enterprises which are also seeking able executives. However, since we are limited in funds set aside for defense, increases in compensation must be offset by reductions in personnel and/or material consumption. The presently proposed pay increases for military and civil service personnel are a typical example; reductions in defense will compensate for both in order to remain within total government budget limitations. Such reductions make even more necessary our effort to provide the best utilization of the personnel remaining to us and the best leadership available.

The problem of achieving optimum employment and placement of personnel is common to government and large corporations. It is not surprising that a ten billion dollar enterprise like the Navy would have certain deficiencies, but at the same time they should be sought out. As stated earlier, high echelons are frequently screened from learning about certain deficiencies farther down the line. It may even be that some of these conditions are sanctioned. At any rate, if appropriate impetus is applied, many shady areas may be brought to light; with that in mind a few suggestions for possible improvement in manpower utilization are presented below.

Size of supporting forces and the shore establishment. -- It is understood that many studies have been made with the hope of altering the adverse shore-to-sea ratio of personnel. Changes

in appropriation composition to include costs of military personnel in funds of supporting activities may produce surprising economies.[7] Even so, there will still be many fleet support units and civil service personnel unaffected. Investigation might reveal instances where personnel continue to be justified on the basis of Korean War requirements. For instance, a Washington purchasing office attempts to manufacture work for certain civil service personnel in excess of its needs in order to avert a reduction in force and grade structure. Certain fleet units continue high specialization of certain functions even though one man may be able to cover the work in more than one field now occupying two or more personnel. Many supporting functions require extensive staffing even in peacetime, but expanded requirements due to war should be examined and reduced where possible when hostilities cease. Some thought might also be given to the role of many staff activities in not only setting functional and co-ordinating standards, but in actually issuing internal operating instructions for unit commands. In many respects unit commanders are now little more than monitors of specifications and regulations. On the other hand, the abdication of responsibility by many unit commanders has resulted in the enlargement of staff activities to the point where they effectively participate in the internal operations of subordinate commands. A typical

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[7] Financial Management in the Department of Defense (Washington, D. C.: Department of Defense, November 1954)(Draft), 33.

example might be the case wherein a commanding officer is properly required to insure proficiency of his personnel along certain lines. Although he has facilities available for accomplishment of this requirement, he does not do so. Eventually several such cases may result in establishing a staff-sponsored school with its attendant heirarchy to provide the necessary proficiency. The unit commander is then given arbitrary quotas at times which may be incompatible with other operational or training requirements. The school may be set up at a central location which requires travel. The work may require only three and a half days, but is stretched to a full week for various reasons. Such an endeavor, while necessary in some fields, may be over-extended to the point of unacceptable inefficiencies and disruptions, not to mention the immobilization of valuable personnel who in aggregate might go far to provide another combat unit.

Scope of morale-type activities. -- Certain activities are provided in the service with the intention of improving morale. Undoubtedly they do, but usually at significant cost to the unit which provides them. Hobby shops, movies, education services, and athletic endeavors are wholesome diversions for military personnel. Most often, however, they are not run on an extra-curricular basis, but as regular duties for personnel involved. With the possible exception of education, which returns direct benefits to society, most of these activities should be, insofar

as possible, self-supporting and conducted outside normal working hours. Personnel required to operate hobby shops and recreational movies should be compensated from proceeds for their extra-time services. Athletic ventures should not interfere with the normal operations of a command as they do in frequent cases. A man assigned to an athletic team may become almost useless to his command during the sport's season.

Productivity. -- There are several forms of lost time which, if exploited, might add ten to fifteen percent to the productivity of many organizations. Pay day twice per month effectively loses about one out of the twenty working days in a month for a large portion of the personnel in certain commands. Although a few fiscal personnel would be inconvenienced twice per month, output might be improved by holding pay day just before lunch or at the end of working hours. A surprising number of dependents seem unable to visit the doctor or the commissary without being accompanied by their husbands. The aggregate time lost in these processes results in compensatory increases in complements to provide for such special liberties. It is believed that curtailment of this practice would further increase a unit's output. The practice of granting leaves beginning at 0001 on the day of departure (a "working day") and expiring at midnight on the last day grants many extra days of leave in excess of the authority granted in the Armed Forces Leave Act - particularly if several short leaves of absence are taken. The extensive practice of

allowing laundry, navy exchange, and other personal-type excursions during working hours makes even further inroads upon the work week; complements are adjusted to provide for it. It is estimated that the average work week of naval personnel ashore is about thirty-five hours per week, exclusive of watch-standing duties, but including lost-time activities. It is not surprising that we require so many people to accomplish what we do. And it is not surprising that such information passed back to the public by dischargees creates a lack of confidence in defense requirements. Although we tolerate lax work practices, we can't afford them.

Schools. -- This has already been alluded to in part in discussing staff requirements. The Navy now operates a very impressive line of schools, both ashore and in the fleet. There is a serious question, however, that we can afford the manpower and the luxury of so many of such specialized indoctrination as are offered. Investigation might reveal abdication of training responsibility on the part of unit commands in many categories and the over-extension of requirements in others. Further study of this problem might prove the feasibility of contracting for certain school activities now staffed and instructed by military personnel.

Extent of unit subdivision and supervisors. -- The standard reason given for the present plans of subdividing commands into many parts or sub-commands is that training is accomplished

for more officers and supervisors. Thought should be given to the possibility of reducing the extent of this subdivision in the event of emergency or hostilities where conservation of critical manpower would result.

Rotation of operational units. -- Serious consideration might be given to stationing dependents and operating units permanently in foreign waters. Some of the objections arising from disruption of families by deployment to the Western Pacific or to the Mediterranean might be partially alleviated, and the costs of frequent rotation might be reduced. This practice might also result in the spread of American philosophy abroad, not to speak of the enhanced knowledge of foreign areas which would be available to growing generations of dependent children.

Empire building. -- Actual empire building is best exemplified by the practice of the Civil Service in scaling many of its grades upon the size of the organization supervised. However, military personnel accomplish a similar effect by over-specialization and by providing for a large number of infrequent contingencies. In addition to the schools, staffs, and supporting activities already mentioned there is a widespread practice which involves extra personnel in obscure functions "just to fill out all watch sections" or to "provide a relief in case of leave or other absence." Many of these are thoroughly justified. Many others reflect the failure of officers to effectively utilize personnel.

Paper work. -- The over-load of paper work is like the weather - everyone discusses it but few do anything concrete about it. There is still too much redissemination of written instructions by subordinate commands. "Just-in-case" reports and over-distribution of paper are profuse. Overclassification of information causes workloads out of proportion to the importance of much of the classified material. No Utopian solution is offered here, yet continued pressure on the problem is mandatory for it ties up thousands of people in unproductive effort.

The areas outlined above do not by any means constitute a full list of the avenues open to conservation of manpower. The effects of improper utilization of manpower are felt as much or more by ourselves than by the public. Not only do we have to be satisfied with less capable people who cause us more headaches, but withdrawing them from the civilian economy effectively raises our own cost of living; increased labor costs due to competition for labor are almost invariably paid by the consumer.

The comments of Field Marshall Montgomery are pertinent to navies as well as armies:

> The armies of today. . . are weighed down by a gigantic administrative setup in and around them. Staffs are far too big; the amount of paper that is required to produce even quite small action is terrific. We seem to have lost the art of command, other than by paper. No ordinary man can read half the paper that is in circulation; I doubt if the other half is worth reading.
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> All this must be tackled ruthlessly.[8]

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[8] Field Marshall Viscount Montgomery, Deputy Supreme Allied Commander in Europe, in an address delivered to the California Institute of Technology, November 29, 1954 (U.S. News and World Report, Washington, D. C., December 17, 1954) 97.

CHAPTER VI

MONEY AND ITS RELATIONSHIP TO MANPOWER AND MATERIALS

> . . . Economy on the one hand, by which a certain income is made to maintain a man gentoelly, and waste on the other, by which, on the same income, another man lives shabbily, cannot be defined. It is a very nice thing; as one man wears his coat out much sooner than another, we cannot tell how.[1]

Samuel Johnson's observations are apt; some men (or activities) accomplish much more on their incomes (or allotments) than do others. But though he could not "tell how," we are attempting to diagnose the reasons and correct the causes.

Although monetary controls are presently the chief method of regulating the utilization of resources, attention in this treatise has so far been primarily directed toward complementing the monetary control function by institution of a program which would educate the average military man in wise utilization of physical (including human) resources. However, for those who deal or think in monetary terms, the functions of comptrollership will afford greater appeal as a means of achieving efficiency than does conservation of resources by voluntary methods. For one thing, it is a more direct and concrete approach to the problem. For another, it has the happy effect of reaching more people than the educational approach. Indeed, it cannot be said that a certain amount of education will not follow the more direct approach. Even so, education in conservation of physical resources

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[1] James Boswell, The Life of Samuel Johnson (Garden City, New York: Doubleday and Company, 1946), 449.

accomplished in coincidence with the spread of monetary controls should accelerate us toward our goals of economy. In the next chapter explanations are offered to show how the two efforts may be tied together.

It is not intended in this paper to delve deeply into the theories of monetary control through financial management or comptrollership. Such matter is already widely expounded[2] and constitutes a broad enough subject for several volumes in itself. To be sure, financial management is our institutional and most direct means of achieving efficiency, but its complexities require a high state of training which cannot be given to every officer in the service. Therefore, we shall be satisfied in this chapter with examining the overall considerations involved in the availability of money and its relationship to other resources.

Money exists as a means to facilitate the exchange of commodities and services. It cannot, of course, accomplish anything directly. Instead, it is a common denominator between materials and manpower - a conversion factor which enables us to measure the relative values of materials and physical or mental effort, or manpower.[3] Accordingly, the first measure of the size of our defense establishment is the dollar value of its appropriation expenditures. Though the quantities of assets on hand, such

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[2]For instance, Financial Management in the Department of Defense and various departmental manuals and instructions.

[3]Burns, Neal and Watson, Modern Economics, second ed. (New York: Harcourt, Brace and Company, 1953), II, 89-91.

as ships, aircraft, vehicles, installations, and reserve stocks of equipment, are also important in monetary considerations, they are matters of high policy upon which the average military man has little influence except through aggregate service economies; increased availability of funds through aggregate savings can result in re-evaluation of policies pertaining to levels of assets maintained. This, of course, is one facet of the problem of increasing our available firepower within the limitations of resources available. To achieve aggregate economies, however, it is necessary to practice conservation of all resources, including the disposition of our annual appropriation. The effects of proper utilization of materials and manpower have already been discussed, but it should be repeated here that economies effected in these areas can be converted through money savings to greater firepower. If the number of tactical units maintained is considered sufficient to support our national policy, then appropriations and possibly taxes can be reduced. Or they may be diverted to other civilian needs. Usually, however, military planners feel that no matter how much we have, it is insufficient. Since the funds available to us are usually limited by economic and political conditions, it is therefore incumbent upon us to create the maximum number of combat units within the monetary limit.

The two largest expenditure categories are personnel compensation and procurement. Both have been discussed in previous chapters with the accent placed on conservation of manpower and the careful formulation of requirements which result in procurement

of goods or services. It should here be emphasized that economies in these fields can bring about diversion of funds to more profitable employment as well as alleviate scarcities. In the field of manpower, for instance, investigation may show areas where contracting for civilian services may save both funds and military or civil service personnel. In procurement, the utilization of personnel with good business experience and the application of appropriate timing and bargaining techniques may save money in the areas of contracting, renegotiation, buying at the source, and finding the "best buy", as suggested by Senator Douglas.[4] In other expenditure categories we must be equally diligent to obtain the most for our money without indulging in luxury or filling unreasonable requirements.

There seems to be prevalent among many of our personnel a notion that appropriations are a sort of grab-bag wherein each group must request and justify a maximum budget to insure that its own interests are not invaded by others. Such a notion envisions many seniors in military command and Congress in general as having little concept of the requirements of the group concerned. Personnel in this group see budgetary personnel and Congress as hatchet organizations which are seeking economy for economy's sake; inflated requirements are often the result. Though many cases can be cited to support these views, such is

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[4] Paul H. Douglas, Economy in the National Government (Chicago: The University of Chicago Press, 1952) 154-177.

not generally the case. The reasons behind attitudes of this sort usually stem from lack of knowledge or conception of necessary balance and relative importance of various activities composing the whole security effort. Many, of course, have honest differences of opinion, but even here the lack of understanding may be applicable. It is of vital importance that personnel be made to realize that we can be provided with far less than we desire even in actual fighting forces, and selfish interests must give way to an attitude of support for a balanced, cohesive whole. It must be understood that Congress is as interested as we are that adequate defense is provided:

> We are always afraid that economy may impair our national defense or at least that we may be accused of trying to impair it. We are always afraid that, if we vote for a reduction in a given expenditure, our friends in the Defense Department will criticize us and our political opponents back home will say, "You voted to cut the military appropriation; you voted to weaken the preparedness program of the United States of America." Even if a congressman is fairly certain that he is not crippling the security of the country, he is afraid that he will be accused of doing so.[5]

Indeed, it is interesting to note that Congress is presently concerned that President Eisenhower may have reduced the military budget too far, and demands have been voiced to investigate the matter thoroughly. Military personnel must further understand that budgetary limits are prescribed within the ability of the nation to provide military preparedness along with other necessary programs. To clear away some of the clouds surrounding present impressions we should examine the source of our funds.

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[5] Ibid., 140.

Most of our personnel appear to think that Congress appropriates funds in relation to those of our requirements which they approve and then in turn sets tax rates which will pay for the expenditures authorized. To some extent this is true. However, this concept does not account for the fact that there is a maximum tax load which the nation will bear under a given set of conditions Opinions vary as to what the limit of this load actually is, and probably no one is omniscient enough to state it precisely.

Since the vast majority of our citizens desire as little government as possible except in their own vested interest, and since - if they think about it - they are essentially in pursuit of a peaceful advancement of their civilization, they are reluctant to bear taxes to support government (including military) services. The amount which they will bear is usually that which provides a status quo or gradually rising standard of living and which provides reasonable incentives to invest risk-capital and to business expansion.

> Taxes should preserve incentives. They should leave enough margin between the return to the ambitious, on the one hand, and the slothful, on the other, to make ambition definitely worth while; they should allow enough return to the successful risk-taker over that to the "safe" investor so that risk-taking is definitely worth while.[6]

> Having in mind. . . the distorting effects which taxes in excess of 50 per cent can have on corporate investment and expenditures, we believe that the rate should be reduced at least to that level.[7]

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[6]Harold M. Groves, Postwar Taxation and Economic Progress (New York and London: McGraw-Hill Book Company, Inc., 1946), 373.

[7]The Research and Policy Committee, Committee for Economi Development, Taxes, National Security and Economic Growth (New York: Committee for Economic Development, January 1954), 25.

The extent of these provisions will, of course, vary with world and economic conditions and somewhat with traditions. Due to present economic and political conditions throughout the world and to development of our tradition of aid to freedom-seeking peoples, we now support rather large taxes while maintaining steadily advancing standards. Twenty-odd years ago we were in depression with an isolationist policy and a relatively low tax burden. Since the end of the Korean War the administration has frequently re-evaluated the nation's position in relation to domestic and foreign pressures. Domestic groups from both the electorate and from business have pressured for reduction of taxes to further peaceful civilian aims. Foreign pressures, we are told, have somewhat abated. In response to these changing conditions, the Eisenhower Administration has lowered personal income taxes, some excises, and certain business taxes, and further reductions are sought. In an effort to keep the federal budget as nearly as possible in balance, the administration has curtailed certain government expenditures and at this writing is working on more. Of these government expenditures well over half go for military defense, and the remainder are divided among fairly fixed charges for operating other government departments, for veterans benefits, for interest on the national debt, and for aid programs. Though some small reductions could be made in certain of these programs, by far the greatest area for pruning lies in military preparedness. Thus our military appropriations depend not so much on the extent

of our requirements which Congress is willing to approve but on what the administration has set for a budget ceiling.

> Our biggest headache at the moment, of course, is the budget. The President has set the ceiling at 14 billion 4 against the pared down requirements that we put in of 16 billion 9. I am frank to say, however, I have the greatest sympathy with him because he is determined not to spend more than we take in in taxes. He is a hard-money man if ever I saw one, and believing as I do that we can't afford to wreck our economy in the process of trying to fight the "cold war," there is much to be said for his thesis of holding down spending to the absolute minimum of necessity. . . .[8]

Though in isolated cases Congress will appropriate funds over and above the President's budget recommendations, the leadership in Congress is usually prone to tailor their authorizations fairly close to that recommended or to slightly reduce them. Of course military personnel may influence increases in appropriations through testimony before committees of Congress, but the President may withhold certain increases from the services and enforce his budget. It must be remembered that military services carry out the policies of its Commander-in-Chief, the President. In the final analysis, therefore, it should be borne in mind that the size of our military force is governed by two basic civilian forces, both stemming from the taxpayer:

(1) The President, as a result of pressures of public opinion, evaluated against the counsel of the National Security Council, other civilian officials and the Joint Chiefs of Staff.

(2) To a lesser extent, the will of the people expressed through their elected representatives in Congress.

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[8] James V. Forrestal, The Forrestal Diaries, ed. Walter Millis and E. S. Duffield (New York: The Viking Press, 1951), 536-537. From a letter addressed to Chairman Walter G. Andrews of the House Armed Services Committee, December 13, 1948.

It should be recognized that one of the great pressures involved in limiting government expenditures is the urge to balance the budget. By allowing expenditures greater than tax receipts, inflation is invited. It is axiomatic that inflation raises the cost of living for consumer, business, and military alike. Except in actual emergency when people are willing to forego certain luxuries and incentives, it is politically and (in part) economically expedient to hold expenditures as nearly as possible in balance with tax receipts. In effect, then, a military man must look to the people themselves - business, unions, pressure groups, the press, and other taxpayers - to determine why his funds are limited as they are. He should be familiar enough with them to understand that business cannot in peacetime pay taxes beyond the point where a reasonable return can be made on invested capital and the point where risk capital can be attracted; unions continue to receive concessions which increase the prices of goods bought by the government, thus reducing the quantity of defense within a given dollar limit; pressure groups demand and get government services which effect the military slice of the total budget; the press, by its information and impressions, influences the will of the people; and the ordinary taxpayer wants tax cuts to buy more refrigerators, television sets, et cetera. And he should remember that he himself is one of those taxpayers; he should ask himself how much good he as a taxpayer is getting out of his subordinates and out of his equipment; could he benefit by a tax cut or an

increase in pay brought about through economies effected by himself and many others like him in the service; or has he been utilizing personnel and materials which might be better used to fill a blank spot in our national preparedness. To summarize:

> . . . A sound economy cannot be maintained beneath a crushing burden of taxation, particularly if a major part of that taxation must go in peacetime to non-productive military expenditures. Nor can the national morale be maintained if terrific taxation eliminates incentive. If we devote in peacetime too large a part of our man power and real wealth to preparations for war our standards of living will remain static or will decrease. A people whose hopes and plans for a better life have been frustrated cannot be a strong people; their morale will crack in time of crisis.[9]

If these ideas can be injected into our personnel, they will have a better appreciation of what military appropriations mean and of what appropriations should achieve.

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[9]Hanson W. Baldwin, The Price of Power (New York and London: Harper and Brothers, 1948), 291.

CHAPTER VII

THE COMPTROLLERSHIP ATTITUDE

The prominent role of United States Armed Forces in advising and garrisoning much of the free world since World War II has drawn continuous and intense attention from the public. The very size of these forces and the taxes necessary to support them have created a pressure for drastic economy. As a result of their time in service during World War II, several millions of citizens developed a conviction that there were vast areas where greater efficiency could be developed. They applied pressure to develop it. In such a climate many old and new ideas for achieving economy were unveiled in attempts to bring forth the magic formula. In the midst of these efforts the concepts of comptrollership and performance budgeting were developed and adopted in defense. By now they are becoming widely known in the service; yet they are seldom understood. To the uninformed these concepts conjure up pictures of economy drives. And to such people economy is an odious term which means tribulations and reductions. It is this attitude as much as any other which counteracts efforts toward economy; the people who have it need to be re-educated.

Economy implies an optimum exploitation of available military resources which will provide the best national security obtainable and yet remain in balance with civilian efforts to advance the common welfare. Our ability to achieve this sort of economy is being reflected through the growth of comptrollership and performance budgeting techniques in the services.

Comptrollership, or financial management, has been developed as a function which aids and advises command in the efficient employment of resources. A Department of Defense manual due for distribution in the near future states it in this way:

> A financial management system should not only be useful to command but should also provide assurance that limited resources will be utilized most effectively in terms of national policy. A major problem is that of attaining harmonious balance between the normal commercial concept of management with profit incentives and emphasis upon efficiency and economy, on the one hand, and the military concept of logistic adequacy, on the other.[1]

In coping with the problems of financial management, the comptroller will need to seek full cooperation of operational and staff personnel toward development of attitudes in which a spirit of economy will thrive. Comptrollership, in its broad sense, is not restricted to the work of the comptroller or his staff. The commander of any military organization must himself set the example and policy which will permeate his command; his staff comptroller coordinates the mechanics of the function. Each person in a command must be taught that he is himself a comptroller of sorts and that he has an individual responsibility for carrying out his phase of the commander's economy policy. It is emphasized that this responsibility is reflected through the chain of command. The commander must hold his command assistants responsible for effecting economic use of resources. He will use his staff comptroller as a catalyst and coordinator in the effort.

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[1] Financial Management in the Department of Defense (Washington, D. C., Department of Defense, November 1954)(Draft), 5.

In developing the climate in which comptrollership attitudes will thrive, there must be more than the mere institution of mechanical systems. There must be education. It is the comptroller who must lead the way. That he has a vested interest in materials and manpower as well as their common denominator, money, will not be easily understood by operators. But it must be made clear that comptrollership is not merely record-keeping. It is the active search, wherever necessary, for the most efficient and economical means for running a command with due consideration for operational commitments and morale. Only by utilizing a well-conceived educational (or salesmanship) program will such a comptrollership concept be accepted in a spirit of harmony and cooperation. If we can educate toward the ideal that each man has a share in the comptrollership function, we shall go far in the development of optimum utilization of resources.

Another important facet of the comptrollership attitude lies in the field of public relations. Since national security is a service provided to civilians in consideration of their welfare, the public attitude must be kept before us. To receive the continued support and confidence of taxpayers and Congress in our endeavors, they must be convinced that we are accomplishing the most with the resources available to us. They must also feel that we have their interest at heart. Here again the comptrollership function is a key factor. By developing and practicing the economy expected of us, the impressions cast upon the public mind are most apt to be desirable. Increased backing and respect for

the military should be the natural result. Still a further extension of the public relations job is the comptroller's position as collector and disseminator of facts. Information provided by a comptroller can be of great significance in associations of commanders with citizen groups. Factual information concerning watchfulness over the taxpayer's dollar is always well received by Rotarians or any other local group in day-to-day contact with a military organization. The rewards of favorable impressions are abundant.

CHAPTER VIII

CONCLUSION

In accomplishing any major objective, it is highly necessary to have both the machinery and the support for that machinery if we are to achieve any outstanding success in our venture. So it is with the philosophy of economy in defense. It is probable that most of us have given a great deal of lip-service and a modicum of effort toward achieving real economy in the services. Financial management, however, is an increasingly important field in the armed forces, and the doctrines of comptrollership are spreading rapidly through many sectors of service activity. At present, the field of comptrollership is our basic machinery for bringing about economy; it is the weapon with which we join the encounter with waste. But just as in the Korean War where we had the machinery but not the support of the various nations involved to unify Korea, so comptrollership activities can bring about only partial accomplishments in economy. To support the machinery, we should develop a proper attitude of mind. As many officers as possible should be sufficiently indoctrinated to acquaint them with their places in the national (as well as military) effort and to support the concepts of economy and scarcity of resources. Mental attitude is half our battle.

Education of our officers need not follow a formal pattern. It should perhaps follow an approved outline from central authority, but the actual instruction could be given as a series of lectures (possibly recurring) on a local level. Comptrollers, if chosen

for qualities of perspective and breadth of information, would be logical instructors in many areas. The economy officer in fleet units might be the appropriate officer. In any case, education should have the support of the officer in command, be carried out by broad-guage personnel, and should utilize material at least as broad in scope as envisioned in previous chapters of this paper. At present the term economy has the rather perverted connotation of reduction in force, a sort of starvation with attendant tribulations. Its meaning should be broadened to indicate not only efficiency but provision of assets not now available through savings in resources now expended without significant profit. By enlightening personnel concerning the relative importance of other phases of national endeavor, such broadening may be at least in part accomplished.

Not least in our considerations should be our efforts in public relations. Most often the practice of good public relations is a subtle thing. We are all well acquainted with the usual forms of public relations functions - press releases, associations with fleet reserve organizations, veterans groups, boy scouts, etc; but the greatest field lies in creating such impressions in the minds of those within the service that they carry the best of impressions back to the civilian taxpayer. The confidence and support of Congress and the public can best be won by demonstrating that we are giving them the best possible firepower while imposing on them the lowest necessary level of tax levies.

Any scheme for improving economy needs the best of leadership for success. Responsible positions must be coveted enough to require strong efforts to attain them. Though we probably will encounter a considerable amount of mediocrity in a defense establishment of the present size, we should take particular pains to counteract this shortcoming by filling our more responsible leadership billets on a highly selective basis. Stability of good leadership would not only strengthen our morale but might correct a considerable number of uneconomic practices now prevalent.

There has been no intent in this paper to be derogatory toward established institutions or to impugn the motives of personnel. On the other hand, the writer has recognized certain requirements for the advancement of our efforts toward maximum efficiency. Much has already been done, and gradual progress will continue whether or not all requirements are met. It is hoped, however, that the concepts expressed herein will provide enough mental stimulus to accelerate our already rolling motion toward optimum economy.

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